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# FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

December 15, 1999  
Docket No. RM99-3144-000 and  
EC99-80-000

## COMMISSION CONDITIONALLY ACCEPTS ALLIANCE REGIONAL TRANSMISSION PROPOSAL

The Federal Energy Regulatory Commission today conditionally accepted, with modifications, a proposal by five utilities—the Alliance Companies—to form a regional transmission entity. Alliance seeks to develop a transco, a for-profit transmission company.

The transco, if formed, would own and operate the jurisdictional transmission facilities of one or more of the Alliance companies and would operate, but not own, the transmission facilities of the remaining Alliance members.

Members of Alliance—American Electric Power Service Corporation, Consumers Energy Company, The Detroit Edison Company, FirstEnergy Corp. and Virginia Electric and Power Company, along with their 11 public utility operating subsidiaries-- serve more than 26 million people in nine states. By broadening the market for electric power transactions, regional organizations help ensure comparability of service for users, reliability for consumers and economic transactions for customers.

While encouraged by the companies' efforts in developing a regional organization, the Commission emphasized that certain elements of the proposal needed modification or further development. The Commission expressed concern over the governance structure, the financial conflicts of interest of Alliance's officers and directors, the proposed rate structure and potential barriers to east-west power transactions.

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The Commission reviewed the Alliance proposal under the 11 ISO principles spelled out in its 1996 Open Access Rule, Order No. 888 while providing additional guidance based on a final rule adopted today on Regional Transmission Organizations (RTOs) in Docket No. RM99-2-000.

The Commission found that Alliance's active ownership proposal at the holding company level could influence operational decisions. The Commission directed Alliance to submit additional support for its ownership interest proposal.

The Commission found that the proposed rate structure, with multiple access fees, i.e. rate pancaking, may discourage the development of regional markets. Noting that its RTO Final Rule encourages innovative and flexible pricing proposals, the Commission directed Alliance to design rates that would eliminate rate pancaking.

The Commission underscored the desirability of using the collaborative procedures outlined in the Final Rule issued today as the companies work toward an organization that will benefit both the industry and consumers.

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